

Introduced by Senator Figueroa

February 22, 2002

An act to amend and repeal Section 5076 of the Business and Professions Code, relating to accountancy.

LEGISLATIVE COUNSEL'S DIGEST

SB 2023, as introduced, Figueroa. Accountancy: attest services.

Existing law establishes the California Board of Accountancy in the Department of Consumer Affairs for the purpose of licensing and regulating public accountants. A firm, other than a sole proprietor or a small firm, is required to meet specified peer review requirements in order to provide attest services. In order to renew its registration, a firm of this kind is required to complete a peer review prior to the first expiration date after January 1, 2006, and no less frequently than every 3 years thereafter.

This bill would instead require that, for renewal of registration, an initial peer review is required to be completed prior to the first expiration date after January 1, 2004. The bill would also require firms subject to peer review to meet professional standards for attest services. If, during review, it is found that the attest engagement or other documents are not in accordance with appropriate standards, the bill would require that the peer review oversight committee and the board shall receive access to all relevant documents pertaining to the engagement and may take appropriate, necessary action to assure future compliance with appropriate standards.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 5076 of the Business and Professions Code, as added by Section 2 of Chapter 704 of the Statutes of 2001, is amended to read:

5076. (a) In order to renew its registration, a firm providing attest services, other than a sole proprietor or small firm as defined in Section 5000, shall complete a peer review prior to the first registration expiration date after January 1, ~~2006~~ 2004, and no less frequently than every three years thereafter.

(b) For purposes of this article, the following definitions apply:

(1) “Peer review” means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a licensee or registered firm by another licensee unaffiliated with the licensee or registered firm being reviewed. The peer review shall include, but not be limited to, a review of at least one attest engagement representing the highest level of service performed by the firm and may include an evaluation of other factors in accordance with requirements specified by the board in regulations.

(2) “Attest services” include an audit, a review of financial statements, or an examination of prospective financial information, provided, however, “attest services” shall not include the issuance of compiled financial statements.

(c) The board shall adopt regulations as necessary to implement, interpret, and make specific the peer review requirements in this section, including, but not limited to, regulations specifying the requirements for the approval of peer review providers, and regulations establishing a peer review oversight committee.

(d) (1) *Firms subject to peer review shall meet all professional standards for attest services.*

(2) *If, during the peer review of an attest engagement or review of other related documents, it is found that the attest engagement or other documents are not in accordance with the professional standards of the professional work of a licensee or registered firm, the peer review oversight committee and the board shall have access to all relevant documents pertaining to the attest engagements and may take appropriate action as necessary to*

1 *assure future compliance with professional standards for attest*
2 *services.*

3 SEC. 2. Section 5076 of the Business and Professions Code,
4 as added by Section 5 of Chapter 718 of the Statutes of 2001, is
5 repealed.

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30 ~~oversight committee.~~

